

NEWS RELEASE



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For Immediate Release

NEWS RELEASE SUMMARY - May 17, 2006

United States Attorney Carol C. Lam announced that the United States and Tenet Healthcare Corporation (“Tenet”) have entered into a settlement pursuant to which Tenet will pay \$21 million to the Government to resolve civil allegations of kickback violations by Alvarado Hospital Medical Center and will sell or otherwise divest Alvarado Hospital.

According to Assistant U.S. Attorney Daniel E. Butcher, one of the prosecutors in the criminal case, the allegations involved Alvarado Hospital’s use of physician relocation agreements to funnel money to existing physician practices in the San Diego area. The criminal indictment alleged that between 1992 and 2002, Alvarado Hospital and its former CEO, Barry Weinbaum, recruited new doctors with lucrative “relocation” packages into “host” practices in San Diego, while disguising payments to the host physicians as “tenant improvements” and “overhead.” The indictment alleged that the defendants made the payments to the host physicians with the intent to induce patient referrals to the hospital.

Alvarado's executive in charge of physician recruitment, Mina Nazaryan, pled guilty last year to the relocation agreement conspiracy.

Last week, on May 8, 2006, the Inspector General's Office for the U.S. Department of Health and Human Services notified Alvarado Hospital that it intended to exclude Alvarado from participating in the Medicare, Medicaid, and all other Federal health care programs. The notice was based on the allegations and evidence that formed the basis of the criminal indictment. Today, Tenet announced that it had reached an agreement with the Inspector General that Tenet would divest Alvarado Hospital.

United States Attorney Lam said, "The Inspector General's action, and Tenet's agreement to sell Alvarado Hospital, ensures that this egregious pattern of kickbacks in San Diego has truly come to an end. This resolution should restore the public's confidence that physicians are selecting hospitals based on the best medical interests of their patients and not on hidden financial benefits."

In a statement, Tenet acknowledged that the physician recruiting program at Alvarado Hospital resulted in money flowing to already-established physicians in San Diego without justification or accountability. Tenet also stated that it was "distressed" to learn from the government's investigation that Nazaryan accepted payments from those physicians after the relocated doctors were placed in their practices.

The Government also announced that it does not intend to re-try the criminal case against Tenet Healthsystem Hospitals, Inc., Alvarado Hospital Medical Center, and former Alvarado Hospital CEO Barry Weinbaum. Two previous trials did not result in verdicts, with the majority of jurors in both cases favoring conviction but unable to reach a unanimous verdict. "Tenet has agreed to divest its last hospital in San Diego and it has resolved the government's claims under the False Claims Act. The threat that Alvarado Hospital's recruitment practices presented to the integrity of the Medicare program no longer exists; therefore, we are electing not to pursue a third trial," said U.S. Attorney Lam.

Tenet's other hospital in San Diego was divested in 1995 as a result of another government investigation into fraudulent corporate practices at Tenet. In 1994, the psychiatric hospital division of Tenet Healthcare (operating under its former name, "National Medical Enterprises") pled guilty to violations of the

federal Anti-Kickback statute. As part of the global resolution of that case, the hospital chain paid substantial civil and criminal fines and divested the entire psychiatric hospital division, including Southwood Psychiatric Hospital in Chula Vista. In 1996, the CEO of Southwood Psychiatric Hospital, Charles Trojan, was convicted in San Diego federal court of mailing a threatening communication to a potential witness in the government's investigation.

From 1994 to 1999, Tenet operated its remaining hospitals while under a five-year Corporate Integrity Agreement with the Office of Inspector General of Health and Human Services. The Corporate Integrity Agreement was intended to ensure that all employees abided by federal laws and regulations. Most of the events at issue at Alvarado Hospital occurred during the period of time the hospital was operating under the Corporate Integrity Agreement.

PARTIES TO THE SETTLEMENT AGREEMENT

United States of America

Tenet Healthcare Corporation
Tenet Healthsystem Hospitals, Inc.
Alvarado Hospital Medical Center

INVESTIGATIVE AGENCIES

United States Department of Health and Human Services, Office of Inspector General
Federal Bureau of Investigation
Internal Revenue Service, Criminal Investigation
Office of Personnel Management